

Insurance Audit Committee
October 29, 2020
1:00 pm

The State, Local Education and Local Government Insurance Audit Committee met on October 29, 2020 at 1:00 pm via WebEx.

Committee members participating:

Treasurer David Lillard, Chair
Rob Chance, State Insurance Committee representative
Maryanne Durski, Local Education Insurance Committee representative
Kevin Krushenski, Local Government Insurance Committee representative

Treasurer Lillard called the meeting to order at 1:00 and noted that all members were present.

Agenda Item 1 – Approval to Meet Electronically

Treasurer Lillard noted that Governor Lee’s Executive Order 65 provides that a governing body may conduct essential business by electronic means without a quorum of members physically present in the same location, if the governing body determines that meeting electronically is necessary to protect the health, safety, and welfare of Tennesseans in light of the COVID-19 outbreak. The Audit Committee is scheduled to consider the following agenda items today:

- Approval of Minutes – October 1, 2020
- Approval of Audit Plan Recommendations

Treasurer Lillard made a motion that the Committee approve meeting electronically in accordance with Governor Lee’s Executive Order 65. Mr. Chance seconded the motion which passed with the following roll call vote:

Lillard	yes	Chance	yes
Durski	yes	Krushenski	yes

Agenda Item 2 – Approval of Minutes October 1, 2020

Ms. Durski made a motion that the October 1, 2020 meeting minutes be approved as presented. Mr. Krushenski seconded the motion which passed with the following roll call vote:

Lillard	yes	Chance	yes
Durski	yes	Krushenski	yes

Agenda Item 3 – Audit Plan

Christa Martin, Director of Financial Management and Program Integrity, Benefits Administration (BA) noted that BA had conducted research on best in class audit plans for similarly sized self-funded public health insurance plans as well as audit plans for private, publicly traded health plans. BA evaluated and

outlined options which involved conducting claims review solely through an automated, 100% process instead of using random sample auditing and presented some limitations to relying solely on an automated approach. Ms. Martin referenced the audit to be conducted by the Attorney General's Office with funds appropriated by the General Assembly. She noted that learnings from this process could influence the timeframe for and scope of BA's Auditing Plan.

BA presented the following Audit Plan recommendations for its Third-Party Administrators (TPA) which are in addition to activities currently conducted by its Program Integrity Unit:

- Annual audit of a statistically valid sample of adjudicated claims for the medical and behavioral health TPAs. At a minimum, auditors will review: 1) Eligibility information, 2) Coordination of Benefits was properly applied, 3) Pricing paid agrees with contract between the carrier and provider, 4) Claim was adjudicated according to the benefit structure, 5) Member cost share was properly applied, 6) Pre-authorizations, if applicable, were applied, 7) Clinical information matches claim coding, and 8) Denied claims are appropriately adjudicated in accordance with the Plan Document and/or carrier policies.
- Pre-implementation audits whenever a medical, behavioral health, or pharmacy benefit structure change occurs, a new vendor is selected, a significant platform change occurs, or a significant population change occurs. At a minimum, auditor(s) will review whether the TPA's adjudication system is configured according to the State's benefit design (e.g., covered services, exclusions, plan limits, member cost-sharing, etc.).
- Shared accumulator audits whenever the benefit structure warrants; i.e. a new vendor is selected, a significant platform change occurs, or a significant population change occurs. This audit would examine the shared accumulator for medical, behavioral health, and pharmacy vendors who have integrated accumulators (e.g., deductible, other out of pocket amounts, etc.).
- Audits of the TPA's Fraud, Waste, and Abuse (FWA) monitoring program, once per contract cycle or as needed. This audit would focus on any combination of the following components: 1) evaluating the suitability and design of the program and its specific controls, and assessing whether the program comprehensively prevents, detects, and corrects FWA, 2) testing the effectiveness of the controls in actually preventing, detecting, and correcting FWA. FWA includes, at a minimum, potential overpayments, duplicate payments, coding errors, and the entire lifecycle of detection through corrective action for suspected FWA.
- Clinical audit for medical, behavioral health, and pharmacy TPA to determine whether clinical decision-making protocols follow benefit design, carrier clinical policy, and industry standards, once per contract cycle or as needed.
- Medical pharmaceutical rebate audit, once per contract cycle or as needed, to determine whether the medical TPA is complying with the contractual reimbursement of pharmaceutical rebates.
- Operational audits focusing on, at a minimum, staffing, customer service capabilities, TPA audit programs, and claims administration, once per contract cycle or as needed.
- Targeted claim audits, as needed, to focus on specific categories of claims that have been identified as requiring additional investigation through member inquiry or complaint, industry best practice, prior audit results, or other research.

Ms. Martin noted that BA also recommends continuing the annual audit plan in place for the Pharmacy Benefit Manager (PBM).

In response to a question from Ms. Durski, Ms. Martin noted that the additional proposed audits would be conducted by a contracted auditor as BA does not have the staff capacity nor the expertise to conduct these audits. Ms. Martin noted that it is estimated that the additional audits would cost \$150,00 - \$250,000 annually and the cost would be absorbed through premium collections. Mr. Krushenski inquired about BA's review of subrogated claims. Ms. Martin responded that subrogation is handled by the TPAs with reporting to BA and that BA approves high dollar claims. It was noted that this review could be incorporated into the audit addressing coordination of benefits. Treasurer Lillard expressed appreciation to BA for their comprehensive review and recommendation of audit provisions.

In reference to the claims audit recommended by Representative Daniels, Treasurer Lillard inquired about the variance in charges for procedures and how BA discovers price variance. Ms. Lee responded that BA reviews high cost claimants and utilizes the guarantees contained in the TPA contracts to ensure that pricing in the aggregate does not exceed targeted levels. It was noted that BA would review the contract and outcome of the audit under the Attorney General's authority and follow-up with the Audit Committee on this question.

There being no additional business, the meeting was adjourned at 1:28 pm.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Laurie S. Lee". The signature is written in a cursive, flowing style.

Laurie S. Lee